DOCUMENT RESUME

ED 263 855 HE 018 906

AUTHOR	Hansen, W. Lee.; And Others
TITLE	The Implications of Redefining Independent Student Status. Program Report 85-10.
INSTITUTION	Wisconsin Center for Education Research, Madison.
SPONS AGENCY	National Inst. of Education (ED), Washington, DC.
PUB DATE	Oct 85
GRANT	NIE-G-84-0008
NOTE	37p.; For related documents, see HE 018 904-910.
PUB TYPE	Reports - Research/Technical (143)
EDRS PRICE	MF01/PC02 Plus Postage.
DESCRIPTORS	*Age; Change Strategies; *College Students; *Definitions; Dependents; *Eligibility; Evaluation Criteria; Higher Education; *Need Analysis (Student Financial Aid); *Self Supporting Students
IDENTIFIERS	American Council on Education; College Board

ABSTRACT

The impact of changing the definition of independent student status on demand for student financial aid funds is assessed. The current definition of independent students is based on: the amount of money received from parents, living separate from parents, and not being claimed as a dependent on the parents' federal income tax form. Two proposals that include an age criterion have been offered by the American Council on Education (ACE) and The College Board (CB). The effects of new definitions of independent students are investigated using 1982-1983 data from California's Student Expenses and Resources Survey and national data on the average dollar amounts of student financial aid awards. Attention is directed to: the impact of defining all students age 22 and above as independent; additional ACE criteria for students under age 22; CB criteria for defining who is independent in the age 22-25 group; and the CB stipulation of classifying all students age 26 and over as independent. The effects of the proposals on the numbers of independent and dependent students qualifying for financial aid are illustrated by focusing on all students receiving need-based financial aid. The fiscal impact of these alternate definitions of independence is also projected. (SW)

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About the Authors

W. Lee Hansen is a faculty member in the Departments of Economics and of Educational Policy Studies.

Roxanne W. Reeves is a Project Associate in the Wisconsin Center for Education Research.

Jacob O. Stampen is a faculty member in the Department of Educational Administration.

The research reported in this paper was funded by the Wisconsin Center for Education Research which is supported in part by a grant from the National Institute of Education (Grant No. NIE-G-84-0008). The opinions expressed in this paper do not necessarily reflect the position, policy, or endorsement of the National Institute of Education.

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Among the topics high on the agenda for reauthorization of the Higher Education Act is the redefinition of independent student status which helps to determine eligibility for need-based student financial aid. Growing concern about deficiencies in the present definition recently prompted the American Council on Education and The College Board to propose changes in the definition. This action comes as the proportion of independent students continues to rise, the dollars available for need-based financial aid awards remain approximately constant, and the belief grows that increased numbers of dependent students are classifying themselves as independent in order to qualify for financial aid.

The purpose of this paper is to explore how alternate definitions of independent students affect the absolute number of independent students. Such information can help us project increases in the demand for student financial aid funds. It can also indicate the extent to which present financial aid awards would have to be reduced to accommodate the increased eligibility, assuming an unchanged level of total financial aid funds. Estimation of the impact of definitional changes is difficult because no comprehensive body of national data exists with the requisite detailed information. For this reason, we use an extensive data base for a single state and then link the results to other available information in order to produce nationwide estimates of the effects.

The evidence indicates that what appear to be relatively minor changes in the definition can lead to significant changes in the number of qualifying students, with substantial implications for

the demand of student financial aid funds and packages. The results suggest the need for caution in proceeding with the pending proposals. As an alternative, we present several recommendations and their implications.

Struggling for a New Definition

Relatively little research has been conducted on independent students even though their characteristics, growing numbers, and the sensitivity of these numbers to alternate definitions have been discussed periodically in the literature. Concern about the independent student definition was expressed early in the history of the Pell Grant program (e.g., Nelson and others, 1974; Hansen, 1974; Hansen and Lampman, 1974) but surprisingly little published research on independent students has appeared since 1974. The Department of Education (1981) cataloged an extensive list of alternative definitions, and Wagner and Carlson (1983) examined a number of these alternatives.

Our analysis of independent students begins with a review of the current definition of independent students. To be classified as independent students, applicants must for the current as well as the prior calendar year state on their financial aid applications that they (a) have not been claimed as a dependent on the federal income tax form of their parent or guardian, (b) have not received more than $750 from their parent or guardian, and (c) have not lived with their parent or legal guardian for more than six weeks.

The first of these conditions, the tax dependency rule, can be verified by examination of the federal income tax form of the

parent or legal guardian; the tax form is either supplied with the student financial aid form or can be obtained to permit verification. By contrast, the other two conditions, the financial support rule and the residency rule, cannot be verified independently. The financial support rule in particular is difficult to verify because some applicants do not know how to treat in-kind assistance; or they cannot remember how much financial support their parents provided. In addition, some applicants may be tempted to respond with less than complete accuracy because classification as an independent student may open the possibility of qualifying for need-based financial aid. This is especially likely for students who as dependents would not qualify for need-based financial aid grants.

The number of younger dependent students who classify themselves as independent students remains unknown. However, the best guesses are that the number is considerably greater than zero and growing rapidly. Gladieux (1985) concludes that some unspecified number of "otherwise dependent students in younger age groups--and perhaps their families--[are] making calculated arrangements to qualify as self-supporting for purposes of student aid." He notes that seven of the ten states with need-based scholarship programs now employ or plan to employ more restrictive definitions of independence, and that many campus aid administrators favor tightening the present definition.[1]

Two specific proposals for narrowing the definition have emerged in recent months. One is the proposal recommended by the

American Council on Education (ACE) and the other comes from The College Board (CB). Both are outlined in Figure 1.

The feature that both proposals share is the inclusion of an age criterion. This is a new development. In one sense an age criterion simplifies the administration of need-based student financial aid programs. At the same time it affects the number of students who qualify as independent. More important, the proposals represent a movement away from the long and strongly held principle in the financial aid community that parents have a responsibility to finance the undergraduate education of their children. This traditional view has, of course, been tempered by concern that at some point the "child" must sever the "parental" tie.

The ACE proposal essentially defines all students who are age 22 and above as independent students. It also prevents classifying most students under age 22 as independent. The net effect of the ACE proposal is a substantial increase in the number of independent students.

The CB proposal is less revolutionary in that it differentiates by age less indiscriminately. For students under the age of 22, the two proposals are quite similar, except for item 1d which includes students who are in "unusual circumstances" as documented by the campus financial aid officer. Until the criteria for defining unusual circumstances are specified, it is difficult to assess the potential impact of the provision. More likely, such a provision will formally classify as independent many students who are so

Figure 1

Two Recently Proposed Redefinitions
of Independent Student Status

American Council on Education Definition	The College Board Definition
A student is classified as independent if the applicant is:	
1. under age 22 only if	1. under age 22 only if
a. an orphan or ward of the court;	a. an orphan or ward of the court;
b. not married but has legal dependents;	b. has legal dependents;
c. a veteran;	c. a veteran;
d. married;	
e. a graduate or professional student	
	d. in unusual circumstances as documented by campus aid officer
	2. age 22-25
	a. but not a tax dependent; and
	b. able to demonstrate proof of self-sufficiency, unless the applicant is
	(1) a veteran;
	(2) has dependents;
	(3) in unusual circumstances as documented by campus aid officer
	3. age 26 or older, regardless of other circumstances

Source: The American Council on Education proposal comes from its submission of recommendations for the reauthorization of the Higher Education Act of 1965; see "Highlights of Preliminary Recommendations for Reauthorization of the Higher Education Act," submitted by the American Council on Education, April 30, 1985, mimeo, 4 pp. As far as we can determine, the ACE has not analyzed the impact of shifting to its proposed definition. The College Board proposal is outlined in a paper by Lawrence E. Gladieux, "An Improved Definition of Independent Student Status Under Federal Student Aid Programs," Testimony presented before Subcommittee on Postsecondary Education, Committee on Education and Labor, U.S. House of Representatives, August 1, 1985.

classified now because they are in "unusual circumstances." For the age 22-25 group, the elimination of the financial support and residency rules will expand the number of those eligible while the self-sufficiency rule will reduce the number of eligible students. Like "unusual circumstances," "self-sufficiency" has not been defined as yet. Meanwhile, it is difficult to predict the consequences of the self-sufficiency rule. For students age 26 and above, their blanket classification as independents may produce a reduction in the number of dependents whose parents are quite willing and able to provide support for them.

Adoption of these or other criteria will clearly affect the number of students who are classified as independent and thus eligible for need-based student financial aid under federal programs. Evidence on the magnitude of the effect is unclear, however. Although Nelson et al. (1974) studied the impact of various definitions of independence on the numbers of independent students, the only recent and rigorous effort that estimates these effects is the study by Wagner and Carlson (1983) which employed several different sources of data and estimation techniques. Wagner and Carlson showed how the number of independent students changes as age, dependency, and self-sufficiency are incorporated into the independent student definition. Although useful in providing estimates of changes in independent students for 1979-80, Wagner and Carlson's results may not be applicable to the 1985 population. Gladieux (1985) offers some additional but fragmentary evidence based on Pell Grant eligibles in 1976-77 and 1983-84 and on College Scholarship Service (CSS) filers for student financial aid in

1985-86. His evidence is interesting, but it ignores the likelihood that some dependent students not now receiving financial aid will qualify for it as independent students.

The California Data

No body of data exists that can yield reasonably current and precise national estimates of the impact of changing the definition of independent students. Despite the face that student aid has long been a multi-billion dollar enterprise, little has been invested in data that describe the system. Data are needed that will (1) identify the student characteristics included in the present as well as newly proposed definitions, (2) permit estimation of the consequences of these proposals on the number of dependent and independent students. Ideally, such data will also (3) predict the effects of these proposals on nonstudents, but that is a far more difficult task.

In our recent work we have made extensive use of a large survey of postsecondary students in California, a data base that is well suited for the analysis we undertake here. And when it is supplemented by national data on the average dollar amounts of student financial aid awards, we can provide a national perspective on the implications of changing the independent student definition.

We draw upon the most recent Student Expenses and Resources Survey (SEARS) carried out for 1982-83 by the California Student Aid Commission (1985). In this survey which is done every three years questionnaires are mailed to a sample of students in various segments of the state's higher educat system. Approximately

66,000 of the state's 568,000 students in fall 1982 were sent questionnaires. Responses were obtained from 23,000 students, which resulted in a 35 percent response rate. Subsequently, the data were weighted to reflect the total population and composition of post-secondary students in the state. (Our analysis is based on a data tape made available by the Commission.)

Our principal reservation about using the California data arose from our knowledge of the state's high enrollment rate, which is 56.8 percent as compared to 41.3 percent for the nation as a whole. Closer examination of the data revealed that California's exceptionally high enrollment rate is attributable to it large part-time enrollment. Indeed, its full-time enrollment rate of 23.1 percent is almost identical to the 24.0 percent rate for the U.S.[2] Moreover, most part-time students attend less than half-time and hence are ineligible for financial aid. Thus, our analysis is confined to full-time students whose composition and characteristics closely parallel the national population.[3]

The strength of the California data lies in detailed information for each student respondent on the elements that define independent status: age, marital status, presence of dependents, parental income, student earnings, and the like. Although the information is provided by student respondents, there is no evidence of any systematic biases in the data. At the same time several of the definitions and their time reference periods differ somewhat from information in campus student financial aid records. Actually, the discrepancy is an advantage because of the check it provides on estimates derived from other sources of data.

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Implications of the ACE and CB Proposals

What would happen if a new definition of independence were adopted? Would it change the number of independent students? Would the change be greater under the ACE or the CB proposal? By how much? And what would be the likely financial effects of each proposal? These questions need to be asked because Gladieux suggests that neither the number of independent students nor the costs of financial aid programs would be affected greatly by the CB proposal.

In testing these quentions against the California data base, we begin our analysis by adopting the simple proposal of defining all students age 22 and above as independent. We then take up the ACE proposal which is similar, but includes additional criteria for students under age 22. We then consider the CB proposal which classifies all students age 26 and over as independent. However, the CB proposal is more restrictive than the ACE proposal in defining who is independent in the age 22-25 group. Because the California data do not identify how many students are age 25, to fit the CB proposal we use the age 22-24 and age 25 and over categories. Otherwise, we are able to produce unduplicated counts of all the variables in the two proposals except orphan or ward of the court, veteran status, and the as-yet-undefined "unusual circumstances" cases.

The Age 22 Proposal. Nobody has proposed that all students age 22 and above be automatically classified as independent, but such a proposal provides a helpful comparison as we move toward our analysis of the ACE and CB proposals. As shown by Table 1, there

Table 1

Age Distribution of Full-Time Undergraduate Students by Independent and Dependent Status, California, 1982-83
(in thousands)

Age	Independent	Dependent	Total
Under 22	28	441	469
22-24	41	94	135
25+	139	32	171
All	207	566	773

Source: Derived from the SEARS data tape.

are currently 207 thousand independent students. If all current dependent students age 22 and above are reclassified as independent, the total number of independent students rises to 333 thousand; this occurs as we add the 94 thousand dependent students age 22-24 and the 32 thousand dependent students age 25 and over. But, we must also subtract the 28 thousand already independent students under age 22 who would not qualify under the new definition. This brings the total number of independent students to 305 thousand, for a 47 percent increase over the current number of independent students. These changes are shown in column 2 of Table 2 and can be compared with the present definition in column 1.

The ACE Proposal. The ACE proposal increases the number of independent students even more because it includes those students under age 22 who fall into the special categories outlined in Figure 1. We find that there are 6.0 thousand independent students under age 22 who are married or who have dependents. Thus, we must include these 6.0 thousand students, as shown in column 3 of Table 2. The overall effect is to increase the total number of independent students to 311 thousand. The ACE proposal will produce a 50 percent increase over the present definition.

The CB Proposal. The CB proposal produces a smaller increase because its definition is more restrictive. The biggest change occurs in the age 22-24 group. The results are summarized in column 4 of Table 2. For the under age 22 and age 25+ groups the numbers of independent students are the same as under the ACE proposal. The most significant change occurs in the age 22-24 group. Two types of adjustments must be made. First, some students

Table 2

Estimates of Independent Students Based on Alternative Definitions, Utilizing Data for Full-time Undergraduates, California, 1982-83
(in thousands)

Age Additions	Present Def.	Age 22 Def.	New Definitions ACE	CB	ModCB
	(1)	(2)	(3)	(4)	(5)
Under 22 Independents	28	---	---	---	---
+Married, Legal Dependents			6	6	6
SUBTOTAL	28	0	6	6	6
22-24 Independents	41	41	41	---	---
+Dependent Students		94	94	---	---
+Indep. Stud. Tax Dep., Self-Suff.,				24	24
+Dep. Stud. Have Dependents				25	25
SUBTOTAL	41	134	134	49	49
25+ Independents	139	139	139	139	---
Dependent Students		32	32	32	---
+Indep. Stud. Tax Dep., Self-Suff.,					112
+Dep. Stud. Have Dependents					12
SUBTOTAL	139	171	171	171	124
TOTAL INDEPENDENTS	207	305	311	226	179
Percent Increase over Present Definition	--	+47	+50	+9	-14

Source: Derived from SEARS data tape.

who are independent under the present definition no longer qualify as independent under the CB definition. Second, numerous dependent students under the present definition qualify as dependent students under the CB definition. These changes together increase the number of independent students to 49 thousand from the 41 thousand under the present definition. The net effect is to increase the number of independent students to 226 thousand as compared to 207 thousand under the present definition; this is a 9 percent increase over the present definition. It is clear that the CB proposal is more stringent than the ACE proposal.

A Modified CB Proposal. We offer a modification of the CB proposal to test its effects. According to this modification, the same criteria that apply to the age 22-24 group are applied to the age 25+ group (see Figure 1). The results, presented in column 5, show a substantial decline in the number of independent students, with the total dropping to 179 thousand for a 14 percent decline. This modification shows how sensitive the numbers are to what might appear to be a quite modest change in the definition.

Several uncertainties remain in the modified version. First, we do not have information on the numbers of orphans, wards of the court, and veterans. But since these numbers are likely to be small, the understatement of independent students will be minor for both the ACE and CB proposals. Second, we do not know how the legislation and regulations embodying the CB proposal might spell out the meaning of "unusual circumstances" and thereby shift some dependent students from the under age 22 and the age 22-24 groups into the independent student category. The potential increase in

independent students is substantial, in view of the 441 thousand dependent students under age 22 and the 94 thousand age 22-24 (see Table 1).

Third, the CB proposal is silent on the definition of self-sufficiency and the level of income that would enable a student to qualify for independent status. Various definitions exist as reflected in past research (Wagner and Carlson, 1984) and the definition used by various state programs.[4]

The prevalence of job-holding among college students age 22-24 means that some numbers of currently dependent students are likely to qualify as independent students on the self-sufficiency criterion because of the level of their earnings. How many will also qualify on the tax dependency rule is less clear. But since being included as a tax dependent on the 1040 income tax form is a matter of parental choice, prior planning by parents can ensure that their children-students are not listed as dependents and thus facilitate the eligibility of their offspring as independent students.[5]

In conclusion, the ACE and CB proposals imply a decisive turn in thinking about student financial aid policy by introducing age as a criterion for eligibility and weakening the long-standing reliance on parental support. The existing three-part definition of independent students, although for the most part unverifiable, attempts to ensure that eligibility is reserved for needy individuals who are truly cut off from their parents. Age based standards imply something else, that financial aid will be available when one reaches some designated age. The CB proposal

has a deceptive attractiveness because of its greater stringency but still produces a considerable increase in the number of independent students. Moreover, the adaptive behavior of students and their parents are likely to increase even further the number of independent students.

Estimating the Impact on Financial Aid Recipients

The above analysis does not fully reveal the implications for the demand on total student financial aid funds because not all students, dependent and independent, qualify for and receive financial aid. Yet, the shift to the ACE and CB definitions will surely change the number of students qualifying for financial aid. First, quite simply, more students will be eligible and will apply. Second, some students already receiving financial aid may, upon moving from dependent to independent student status, qualify for larger amounts of need-based financial aid than they received as dependent students.

The effects of the several proposals on the numbers of independent and dependent students qualifying for financial aid are illustated by focusing on all students receiving aid on the basis of demonstrated financial need, i.e., received aid from at least one program governed by either the Pell or Uniform Methodology needs analysis systems (Stampen, 1985). Students who receive need-based student financial aid are shown in Table 3. As the table indicates, 37 percent of all independent students receive need-based financial aid. By contrast, slightly less than 20 percent of dependent students receive need-based financial aid.

Numerically, however, many more than twice as many dependent students, as compared to independent students, receive need-based aid.

The effects of the four proposals--age 22+, ACE, CB, and modified CB--on the number of financial aid recipients are presented in Table 4. For purposes of this analysis we define students as self-sufficient if their sources of expected income (summer and academic year earnings plus nontaxable income) exceeds $4,000; as having financial need if the difference between their estimated costs and expected income is positive; as nontax dependents if they were not declared as a tax dependent by their parents or legal guardian for the current and prior year; and as having dependents if they were married with or without additional dependents, or if they were single and had dependents.

We start with the present definition of independent students which shows 77 thousand independent need-based aid recipients. Then we must adjust, as required by the specifics of the definitions in Figure 1, the number of already independent students and add the dependent students. In other words, we must shift several different groups of students into the independent category of students who will receive need-based financial aid.

The Age 22+ Proposal. Adoption of this definition of independence which requires that students, whether or not they now receive aid, demonstrate financial need increases the number of potential need-based aid recipients from 77 to 218 thousand, for a 184 percent increase over the present definition. The increase is calculated from comparing Tables 1 and 3. We first delete the 15

Table 3

Age Distribution of Full-time Undergraduate Students Receiving Need-Based Financial Aid, by Independent and Dependent Status, California, 1982-83
(in thousands)

Age and Status	Total Students	Students With Need-Based Aid	Students Without Need-Based Aid
	(1)	(2)	(3)
Independent			
Under 22	28	15	13
22-24	41	18	22
25+	139	44	95
All	207	77	130
Dependent			
Under 22	441	92	349
22-24	94	14	80
25+	32	6	26
All	566	112	455
Total	773	188	585

Source: Derived from SEARS data tape.

thousand independent aid recipients under age 22. We then substitute the 108 plus 110 thousand independent and dependent aid recipients and nonrecipients age 22 and above if they demonstrate financial need. The results are presented in column 2 of Table 4.

The ACE Proposal. Adoption of the ACE proposal also increases the number of independent students by including those under age 22 who have dependents. For the other two age groups there are no changes. The new results shown in column 3 increase the number of independent students to 222 thousand, for a 190 percent increase.

The CB Proposal. The CB proposal does not have as great an effect as the ACE proposal because several groups qualify in the 22-24 age group. Current dependent and independent students age 22-24 can qualify for financial aid if they demonstrate self-sufficiency, are nontax dependents, and have dependents of their own. The age 25+ group remains the same as in the ACE proposal. To actually receive aid they must also demonstrate financial need as defined earlier. The results are presented in column 4 which shows the independent total rising to 121 thousand for a 57 percent increase over the present definition.

A Modified CB Proposal. This proposal applies the same criteria to the age 25+ group as it does to the age 22-24 group. The number of independent students declines below the present level, dropping to 46 thousand, for a 40 percent decline (column 5).

Estimating the Fiscal Impact

What is the overall fiscal impact of these alternate definitions of independence? This is the key question, particularly in

Table 4

Estimates of Independent Need-Based Student Financial Aid Recipients, Using Alternate Definitions, For Full-Time Undergraduates, Based on California Data, 1982-83 (in thousands)

Age and Changes	Present Def.	Age 22 Def.	New Definitions ACE	CB	Mod CB
	(1)	(2)	(3)	(4)	(5)
	Need-Based Financial Aid Recipients				
Age 22					
Independent Recipients	15	---	5	5	5
Age 22-24					
Independent Recipients	18	17	17	---	---
Independent NonRecipients		17	17	---	---
Dependent Recipients		13	13	---	---
Dependent Non Recipients		54	54	---	---
		(108)	(108)		
Indep Recip. Self-Suff., Fin. Need				3	3
Indep NonRec. Have Dependents				2	2
Dep. Recip. Non Tax Dep.,Self-Suff., Fin. Need				0	0
Dep. Recip. Have Dependents				1	1
				(6)	(6)
Age 25+					
Independent Recipients	44	39	39	39	---
Independent NonRecipients		47	47	47	---
Dependent Recipients		6	6	6	---
Dependent Non Recipients		17	17	17	---
		(110)	(110)	(110)	
Indep Recip. Self-Suff., Fin. Need					17
Indep NonRec. Have Dependents					17
Dep. Recip. Non Tax Dep.,Self-Suff., Fin. Need					1
Dep. NonRec. Have Dependents					1
					(4)
Total Independents	77	218	222	121	47
Percent Increase from Present Definition	---	+184	+190	+57	-40

Source: Derived from SEARS data tape.

light of the tight federal budget now and over the next few years. To the extent that the number of independent students who qualify for financial aid increases, the demand for student financial aid funds will expand beyond the funds available.

Estimating the fiscal impact entails several steps. First, we draw on the estimates of the enrollment effects in Table 4. Second, we calculate the total costs of need-based financial aid by taking into account the average amount of need-based aid that would be received by each type of student who qualifies as an independent student; care is taken to ensure that no double counting occurs. Third, we estimate how the average aid awards will change if total need-based student financial aid funds do not increase.

In preparing these estimates we draw upon estimates of the average dollar amounts of need-based aid received by present students and allocate the appropriate level of aid to students in their new categories. We calculated the average amounts of need-based aid from the California survey. The figures derived from the questionnaire, which asked for total amounts of scholarships, fellowships, and grant assistance (including Pell Grants, Cal Grants, SEOG or EOP/S grants) come as close as we could get to need-based financial aid. Interestingly, the figures calculated from institutional records on students receiving need-based financial aid in public institutions in 1983-84 are quite similar, thus increasing our confidence in the quality of the data. The two sets of data are shown in Table 5.[6]

Table 5

Average Amounts of Need-Based Aid Awards
By Student Financial Aid Recipients
For Full-time Undergraduates in California, 1982-83
and for Undergraduates in Public Institutions, U.S., 1983-84
(in thousands)

Age and Status	Calif. (1)	U.S. (2)
Independent		
Under 22	$2,700	$2,200
22-24	2,900	2,200
25+	2,700	2,400
Dependent		
Under 22	$2,500	2,600
22-24	2,700	2,500
25+	2,600	2,000

Source: Column 1 calculated from SEARS data tape. Column 2 calculated from Stampen SARDB data tape.

The results of these exercises are shown in Table 6, using the California data and the national data for public institutions. It should be remembered that the demand for need-based financial aid funds comes from independent students as well as dependent students, although only the data for independent students are displayed in Table 4. For under age 22 group we assume that all dependent aid recipients would continue to receive aid whereas independent aid recipients would not. Use of the age 22 definition increases the demand for funds by 42 to 48 percent using the California data and using the U.S. data for students in public institutions (column 2). The percentage increase in the demand for funds is quite similar under the ACE proposal (column 3). The CB proposal is considerably less costly than the ACE proposal but still increases the demand for funds by 8 to 24 percent. The modified CB proposal increases the demand for funds a bit more, by 15 to 33 percent, as shown in column 5.

We can also learn what happens if total need-based student financial aid funds remain at their present level. The results are shown in the lower half of Table 6. It is apparent that substantial declines result as a consequence of the increased number of independent students who qualify for financial aid. The ACE proposal would have the effect of cutting aid levels by about 30 percent as contrasted to about 8 percent for the CB proposal; the effect of the modified CB proposal is somewhat greater than the regular CB proposal.

Table 6

Percentage Effects of Changing the Definition
Of Independent Students on Total Demand
for Need-Based Financial Aid Funds and
on Average Size of Award

Type of Effect	Present Definition (1)	Age 22+ Proposal (2)	ACE Proposal (3)	CB Proposal (4)	Mod.CB Proposal (5)
Percentage Change in					
California Data	n.a	42 to 48%	41 to 47%	8 to 24%	15 to 33%
U.S. Data	n.a.				
Average Amount of Need-Based Financial Aid Per Recipient (Col. 1=100)					
California Data	n.a.	-29 to -32%	-29 to -32%	-8 to -19%	-15 to -25%
U.S. Data	n.a.				

Source: Derived from data in Tables 4 and 5.

Related Effects

Thus far, we have addressed shifts of students from the dependent to the independent student category. Three other responses might be expected. First, if and when the definition of independent student status is announced, it seems quite likely that some independent students who did not apply for financial aid in the past will now do so because of their greater awareness of the opportunities. Depending upon this response, the estimates presented here may understate the magnitude of the change. Second, it also seems highly probable that students who continue in the dependent category will increase their efforts to find some way to be classified as independent. Finally, there is the potential response by people who do not attend college and who may be attracted to college by the availability of financial aid.[7]

An Alternate Proposal

It is readily apparent that any age-based definition seriously compremises the major principle undergirding the student financial aid program during its 30-year history, namely the concept of parental responsibility for helping to support the costs of college attendance for their offspring. The ACE proposal alters the principle in a fundamental way by in effect saying that parental responsibility ceases as family members reach the new age of independence at 22. The CB proposal does essentially the same, retaining only the tax dependency rule for the group age 22 through 25. This change has the effect of making student financial aid look more like an entitlement grant, aid awarded by virtue of age,

independent status, and, of course, the demonstration of financial need. If this is the intent, the policy discussion would be better informed by making this clear. In addition, individuals may have a somewhat greater incentive in the future to plan their lives, as through a decision to delay their enrollment, to take advantage of the availability of student aid funds.

If the present problems associated with financial aid arise from the growing tendency of students to classify themselves as independent students in order to qualify for additional financial aid, there are simpler ways to deal with this problem. We propose a refinement on the present definition that will resolve the problem noted above and simultaneously give the public greater assurance that aid funds are being properly allocated.

Our approach is to retain the three-part criterion but extend the duration of time for which students must demonstrate their independence. Such a proposal is favored by some student financial aid officers. Instead of having to meet the tax dependency, financial, and residency rules for the current and prior calendar years to be classified as independent, students would have to meet these criteria for an additional year or perhaps even two years. The state of California already does the latter by requiring the current year plus the three prior years as a criterion for eligibility for state financial aid grants. The longer time period clearly makes it more difficult for students to shift their status.

The impact of this approach is particularly significant. The criterion of current year plus three prior years decreases the total number of independent students from 207 thousand using the

current federal definition to 164 thousand, a 21 percent reduction. These reductions are largest in the younger age groups; the number of independent students declines from 28 to 8 thousand for students under age 22, from 40 to 24 thousand for students age 22-24, and from 139 to 132 thousand for students age 25+. Presumably this change eliminates a number of students who attempt to manipulate the system to their advantage. Of course, it might also eliminate students whose circumstances have changed and who might be deserving of independent status.

Conclusions

We offer several conclusions. First, we are struck by the apparent absence of analysis backing the ACE and CB proposals which were incorporated into draft legislation at the markup in the House Education and Labor Committee several weeks ago. Second, we are struk by the major alterations these proposals would make in the structure of the student financial aid system. The principle of parental responsibility is seriously compromised and an age-based semi-entitlement approach is substituted. Third, we are impressed by the immediate cost increases of such a program, not to mention longer-run responses that would raise program costs even more.

Rather than reorganizing the system, with the possibility of unexpected and unwanted consequences, modification of the existing system offers, it would appear, at least as great a prospect of dealing with a smaller but still vexing problem, that is, emergence of new behavioral responses to a public program that undercut the integrity of that program. Rather than performing immediate major

surgery, we need to find out whether the diagnosis is clear and, if so, whether surgery will cure the disease.

Notes

1. Some support for Gladieux's conclusions may come from a recent report on quality control in the Pell Program which shows that the most costly type of student error is associated with the reporting of dependency status (Advanced Technology, 1985).

2. Whether the much larger proportion of part-time students in California--58.7 percent versus 41.9 percent--reflects lower tuition rates, stronger demand for higher education, or a greater tendency to enroll by those who did not attend college earlier cannot be ascertained. We gain some insight into this question by comparing the age distributions of total and full-time students. We observe from Table 2 that whereas almost half of all students are age 25 and over (column 1), less than a quarter of all full-time students are age 25 and over (column 3). As we might expect, the majority of full-time students--just over 60 percent--are in the typical college age group, i.e., those under age 22. However, the total number of part-time students age 25 and above almost equals the total number of full-time students across all age groups. Perhaps all we can say is that part-time enrollment is extremely popular in California among those age 25 and above.

3. The California data are explored in greater detail in the paper by Hansen and Reeves, "The Effects of Redefining Independent Students; The California Data."

4. Wagner and Carlson use a figure of $3,000 for a single student and $6,000 for a student with dependents in their study using data

for 1979-80. However, the figures vary considerably from state to state, as indicated by 1984-85 data compiled by the National Association of State Scholarship and Grant Programs. Pennsylvania, for example, uses a figure of $1,400 whereas New Jersey uses $2,500.

5. The cost of not claiming a college student as a dependent on the federal tax form is not great. Parents give up the $1,000 deduction, the value of which is determined by their marginal tax bracket; this value could range from zero to as much as $500 per year for families in the top marginal tax bracket. Not claiming this deduction does not preclude parents from continuing to support their college-student children.

6. We feel reasonably confident using the national data for need-based aid with the distributions of students based on the California data. An examination of the data indicates that the distributions of students by various characteristics are quite similar, despite the quite different sources of data and the different definitions employed.

7. The magnitude of these potential responses is extremely difficult to estimate. We can probably say more about the last of the three types of responses. If we take as the elasticity of demand for education the figure of 0.3, meaning that enrollment would increase by one percent (not one percentage point) for each $100 reduction in student costs of education, and provided we interpret financial aid as a reduction in the net price of education, we might venture the rough estimate of a 6 percent (0.3 times 20 increments of $100) enrollment response. Unfortunately, it is

difficult to observe this effect without careful study and analysis. Suppose that such an enrollment response did occur. The availability of more aid would provide most help to potential students from lower income families. But this would also raise the cost of student financial aid beyond the current levels.

These results indicate that the financial and related consequences of the new proposals cannot be brushed aside on the grounds that these proposals, in the words of Gladieux, "more simply, fairly, and accurately distinguish between students who can depend on parental support and those who cannot."

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ASSOCIATED FACULTY

B. Bradford Brown
Assistant Professor
Educational Psychology

Thomas P. Carpenter
Professor
Curriculum and Instruction

Robin S. Chapman
Professor
Communicative Disorders

William H. Clune
Professor
Law

W. Patrick Dickson
Associate Professor
Child and Family Studies

Anne M. Donnellan
Assistant Professor
Studies in Behavioral Disabilities

Wallace H. Douma
Director
Student Financial Aids

William Epstein
Professor
Psychology

Lloyd E. Frohreich
Professor
Educational Administration

Arthur M. Glenberg
Associate Professor
Psychology

Maureen T. Hallinan
Professor
Sociology

W. Lee Hansen
Professor
Economics

Dale D. Johnson
Professor
Curriculum and Instruction

Carl F. Kaestle
Professor
Educational Policy Studies and History

Herbert J. Klausmeier
V. A. C. Henmon Professor
Educational Psychology

Joel R. Levin
Professor
Educational Psychology

Cora B. Marrett
Professor
Sociology and Afro-American Studies

Mary H. Metz
Associate Professor
Educational Policy Studies

Jon F. Miller
Professor
Communicative Disorders

Fred M. Newmann
Professor
Curriculum and Instruction

P. Martin Nystrand
Associate Professor
English

Michael R. Olneck
Associate Professor
Educational Policy Studies and Sociology

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Educational Psychology

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Professor
English and Linguistics

Thomas A. Romberg
Professor
Curriculum and Instruction

Richard A. Rossmiller
Professor
Educational Administration

Peter A. Schreiber
Professor
English and Linguistics

Marshall S. Smith
Center Director and Professor
Educational Policy Studies and Educational Psychology

Aage B. Sorensen
Professor
Sociology

Jacob O. Stampen
Assistant Professor
Educational Administration

B. Robert Tabachnick
Professor
Curriculum and Instruction and Educational Policy Studies

Karl E. Taeuber
Professor
Sociology

Bruce A. Wallin
Assistant Professor
Political Science

Gary G. Wehlage
Professor
Curriculum and Instruction

Louise Cherry Wilkinson
Professor
Educational Psychology

Steven R. Yussen
Professor
Educational Psychology

Kenneth M. Zeichner
Associate Professor
Curriculum and Instruction

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